SaskGaming

First Quarter Report
2014

For the three months ended March 31, 2014

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CORPORATE OVERVIEW

The Saskatchewan Gaming Corporation (SaskGaming or the Corporation) was established in 1994 as a Treasury Board Crown Corporation to operate casino gaming on behalf of the province of Saskatchewan. It currently operates Casino Regina and Casino Moose Jaw. Effective April 1, 2008, SaskGaming came under the direction of the Crown Investments Corporation of Saskatchewan (CIC). SaskGaming operates Casino Regina and Casino Moose Jaw under the regulatory authority of the Saskatchewan Liquor and Gaming Authority (SLGA).

Casino Regina, located in Regina's historic Union Station, opened to the public on January 26, 1996 and is a full-service entertainment facility offering slot machines, table games, a Show Lounge, restaurant, and on-site parking.

Casino Moose Jaw opened September 6, 2002. It offers guests table games, slot machines, food and beverage services and parking facilities. Entertainment is offered to Moose Jaw customers through a partnership with the Mae Wilson Theatre.

SaskGaming's vision is as follows:

SaskGaming is the recognized leader in providing gaming entertainment in Saskatchewan.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis highlights the primary factors that impacted the operations and financial results of SaskGaming for the three month period ended March 31, 2014. This discussion should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes. For additional information relative to its operations and financial position, refer to the Corporation's Annual Report for the year ended December 31, 2013.

FINANCIAL RESULTS

The following information provides details of the Corporation's financial performance for the period January 1 to March 31, 2014 with comparative figures for 2013.

	Three months ended March 31			
(in 000's)	2014	2013	Change	%
Revenue	$ 30,534	$ 30,794	$ (260)	(0.8%)
Expenses	19,624	20,294	(670)	(3.3%)
Income before payment to General Revenue Fund	10,910	10,500	410	3.9%
Payment to GRF	5,455	5,250	205	3.9%
Net Income	$ 5,455	$ 5,250	$ 205	3.9%

SaskGaming's income before payment to the GRF for the first quarter of 2014 was $10.9 million, an increase over the same period in 2013 of $0.4 million. Revenues decreased $0.3 million, and expenses decreased $0.7 million.

1. Revenue
   Revenue for the first quarter was $30.5 million, a decrease of $0.3 million over the same period in 2013. Gaming revenues decreased $0.1 million and ancillary revenues decreased $0.2 million. The gaming revenue decrease is due to a $0.6 million decline in slot revenues offset by a $0.5 million increase in table revenues. Guest counts at Casino Regina increased 5.3% from the prior year and at Casino Moose Jaw guest counts decreased 4.7%, which resulted in an overall increase in guest counts year to date of 3.2% from 2013. Although overall guest counts continue to improve, the average spend for slot guests remains below 2013 levels.

2. Expenses
   Total expenses for the first quarter were $19.6 million, a decrease year over year of $0.7 million. The decrease is due primarily to a reduction in SaskGaming' salaries and benefits expenses. FTE (full time equivalent) expense reductions, including the organizational restructuring that took place in October of 2013, resulted in savings of approximately $0.8 million in salary and benefit expenses.

OUTLOOK

The Corporation's income before payment to GRF target for 2014 is $50.4 million. At the end of the first quarter, income before payment to GRF is above budget by $0.8 million. At this time, SaskGaming believes it will achieve its income before payment to GRF target for 2014.

SASKATCHEWAN GAMING CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Unaudited)

As at (in 000s)	March 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash	$ 13,783	$ 10,841
Accounts receivable	284	419
Inventory	281	321
Prepaid expenses	1,075	638
	15,423	12,219
Property, plant and equipment	65,085	66,638
	$ 80,508	$ 78,857
LIABILITIES AND EQUITY		
Current liabilities:		
Trade and other payables	$ 10,816	$ 11,810
Payable to the General Revenue Fund	5,455	3,267
Dividend payable	5,040	1,578
Short term advance	—	3,000
Current portion of long-term debt	7,499	7,476
Current portion of finance lease obligation	254	955
	29,064	28,086
Long-term debt	2,862	3,246
Finance lease obligation	6,725	6,083
	38,651	37,415
Equity advance	4,000	4,000
Retained earnings	37,857	37,442
	41,857	41,442
	$ 80,508	$ 78,857

(See accompanying notes)

SASKATCHEWAN GAMING CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three months ended March 31
(Unaudited)

(in 000s)	2014	2013
Revenue	$ 30,534	$ 30,794
Operating expenses	16,015	16,836
Depreciation	1,773	1,579
Taxes	782	802
Contractual obligations	754	754
Finance expense	300	323
Income before payment to the General Revenue Fund	10,910	10,500
Payment to the General Revenue Fund	5,455	5,250
Net income	5,455	5,250
Other comprehensive income	---	---
Comprehensive income	$ 5,455	$ 5,250

(See accompanying notes)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three months ended March 31
(Unaudited)

(in 000s)	March 31, 2014			March 31, 2013		
	Retained Earnings	Equity Advance	Total	Retained Earnings	Equity Advance	Total
Balance as at January 1	$ 37,442	$ 4,000	$ 41,442	$ 33,333	$ 4,000	$ 37,333
Comprehensive income	5,455	---	5,455	5,250	---	5,250
Dividends	(5,040)	---	(5,040)	(5,280)	---	(5,280)
Balance as at March 31	$ 37,857	$ 4,000	$ 41,857	$ 33,303	$ 4,000	$ 37,303

(See accompanying notes)

SASKATCHEWAN GAMING CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the three months ended March 31
(Unaudited)

(in 000s)	2014	2013
Operating activities:		
Net income	$ 5,455	$ 5,250
Adjustments for:		
Finance expense	300	323
Depreciation	1,773	1,576
Loss on sale of property, plant and equipment	---	3
Changes in non-cash working capital balances:		
Accounts receivable	135	7
Inventory	40	23
Prepaid expenses	(437)	(29)
Trade and other payables	(994)	1,119
Payable to the General Revenue Fund	2,188	(935)
	8,460	7,337
Investing activities:		
Proceeds from sale of property, plant and equipment	---	25
Purchases of property, plant and equipment	(220)	(3,191)
	(220)	(3,166)
Financing activities:		
Dividends paid	(1,578)	(5,455)
Interest paid	(300)	(323)
Repayment of short term advance	(3,000)	---
Repayment of finance lease obligation	(59)	(54)
Repayment of long-term debt	(361)	(338)
	(5,298)	(6,170)
Increase (decrease) in cash	2,942	(1,999)
Cash, beginning of period	10,841	10,583
Cash, end of period	$ 13,783	$ 8,584

(See accompanying notes)

SASKATCHEWAN GAMING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2014
(Unaudited)

1. Description of Business

The Saskatchewan Gaming Corporation (SaskGaming) is a corporation domiciled in Canada. The address of SaskGaming's registered office and principal place of business is 1880 Saskatchewan Drive, Regina, SK, S4P 0B2.

SaskGaming manages and operates Casino Regina and Casino Moose Jaw. SaskGaming was established under *The Saskatchewan Gaming Corporation Act, 1994* (Act) to provide for separation of regulatory and operational aspects of gaming. SaskGaming must operate in accordance with statutory provisions established under Section 207 of the *Criminal Code of Canada* and *The Alcohol and Gaming Regulation Act, 1997*. Regulation of SaskGaming's operations is controlled by the separately constituted Saskatchewan Liquor and Gaming Authority.

SaskGaming operates under the direction of its owner, the Crown Investments Corporation of Saskatchewan (CIC). CIC is the provincial government's holding corporation for its commercial Crown corporations. The financial results of SaskGaming are included in the consolidated financial statements of CIC.

2. Basis of Preparation

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 21, 2014.

b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial instruments which are classified as fair value through profit and loss, which are measured at fair value.

c) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is SaskGaming's functional currency.

d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the application of

accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements include: useful lives of property, plant and equipment and the customer loyalty program.

3. Significant Accounting Policies

The accounting policies applied by SaskGaming in these condensed consolidated interim financial statements are consistent with those applied by SaskGaming in its December 31, 2013 annual financial statements.

4. Fair Value

Fair values approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics such as risk and remaining maturities. Fair value measurements are subjective in nature, and represent point-in-time estimates which may not reflect fair value in the future.

The methods and assumptions used to develop fair value measurements have been prioritized into three levels as per the fair value hierarchy included in IFRS. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs other than quoted prices included in Level one that are observable for the asset or liability. Level three includes inputs that are not based on observable market data.

The fair values of long term debt and finance lease obligation are estimated by discounting the expected future cash flows using the interest rate of a Government of Canada bond with similar terms, adjusted for an appropriate risk premium.

(in 000s)			March 31, 2014		December 31, 2013	
Financial Instruments	Classification [1]	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	OFL	Level Two	$ 10,361	$ 10,727	$ 10,722	$ 11,125
Finance Lease obligation	OFL	Level Two	6,979	8,280	7,038	8,206

[1] Classification:
OFL - Other financial liabilities